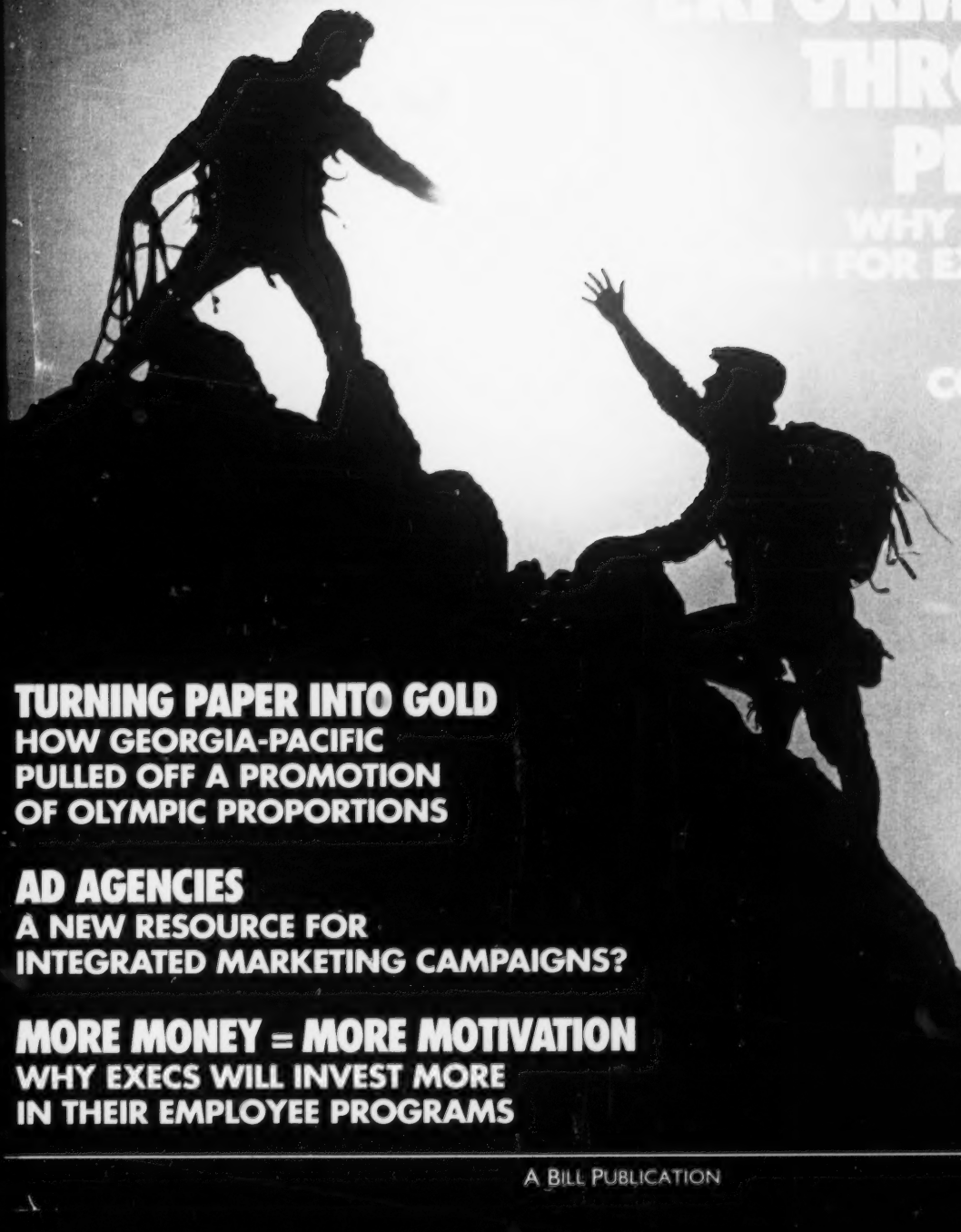
JUNE 1992

# INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



## PERFORMANCE THROUGH PEOPLE

WHY WORKERS [illegible] FOR EXCELLENCE AT THREE WINNING COMPANIES

## TURNING PAPER INTO GOLD

HOW GEORGIA-PACIFIC PULLED OFF A PROMOTION OF OLYMPIC PROPORTIONS

## AD AGENCIES

A NEW RESOURCE FOR INTEGRATED MARKETING CAMPAIGNS?

## MORE MONEY = MORE MOTIVATION

WHY EXECS WILL INVEST MORE IN THEIR EMPLOYEE PROGRAMS

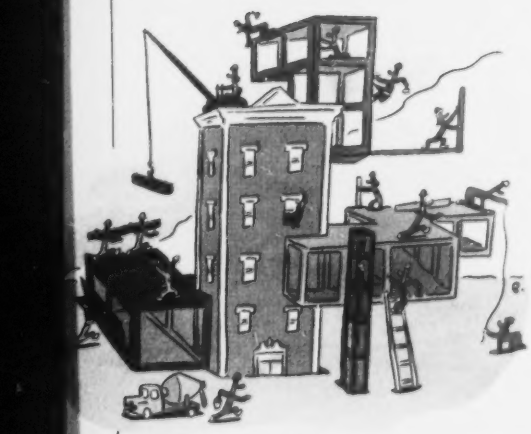
A BILL PUBLICATION

# INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

JUNE 1992
88TH YEAR,
VOL. 166, NO. 6

The power of people **20**



Expanding ad agencies **33**

Cover photo by ©1992 C. Morgan/Westlight

## COVER STORY


**20 PERFORMANCE THROUGH PEOPLE**
Texaco, U.S. Healthcare, Business Incentives: three companies worlds apart in the services and products they offer, in the market challenges they face. But these firms share the common conviction that only a dedicated, galvanized work force can propel them to the pinnacle of their markets.


## EMPLOYEE MOTIVATION


**27 FACTS SURVEY: NON-SALES INCENTIVES**
Some executives are attributing recent business successes to their employee incentive campaigns. That's why they're planning to boost their awards spending by 7.4 percent this year.


## INCENTIVE MARKETING


**33 BUILDING THE FUTURE**
A growing force in incentive-program planning? Ad agencies continue their headlong expansion into the realm of integrated marketing—offering multi-pronged programs that combine incentives with advertising, direct marketing and public relations.

**39 OLYMPIC EVENTS**
How Georgia-Pacific's innovative "Turn Paper into Gold" sweepstakes captured the spirit of the Games—and new customers.


## SPECIAL SUPPLEMENTS


**47 HOW TO RUN A SAFETY INCENTIVE PROGRAM**
**73 VANCOUVER: "SPECTACULAR BY NATURE" INCENTIVE PLANNING GUIDE**


## MERCHANDISE


APPAREL **43**
IDEAS **46**
LICENSING **65**


## INCENTIVE TRAVEL


CANADA **68**
GERMANY **87**
IDEAS **101**


## DEPARTMENTS


FROM THE EDITOR **5**
CURRENTS **6**
NEW YORK SHOW REPORT **14**
MARKETPLACE **91**
RESOURCES **96**


INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

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FROM THE EDITOR

# THE FLIGHT OF SPECIAL MARKETS

BY BRUCE BOLGER

Loyal **Incentive** readers know that we've actively promoted "value pricing" as a key to capturing and keeping customers. As early as August 1989, a cover story entitled "Demise of the Discount" predicted that companies would shift from periodic markups and markdowns to an "everyday low price" strategy. This approach focuses on providing customers with the best possible price year-round while relying on added-value offers like incentives to stimulate demand when necessary.

So, it was with great excitement that we watched the spread of "value marketing" to the airline industry, where the "old" pricing strategy had reached the ultimate level of absurdity. Now, as events unfold, we wonder whether some airlines have taken "value marketing" to *its* ultimate level of absurdity.

Over the years, airlines relied heavily on their myriad fares to address specific market segments, among them the meetings and incentive markets. Administering and negotiating these various fares became a major part of the job of those specialists serving the particular markets.

With market segmentation becoming so heavily based on price strategies, at least one major airline seems to have determined that it can eradicate market specialists along with its market-specific fares, and thus reduce manpower costs to help offset the reduction in air fares for business travelers. Under this approach, the airline apparently will push all of its market segments through the same regional sales offices that handle travel agency and consumer business. This way, it can do away with marketers and salespeople who target corporate accounts and other specific market segments.

It appears that some airlines had become so hung up on price strategies that they may have forgotten other, even more important market segmentation strategies. Most companies rely less on price to satisfy specific market segments and more on special services, products and expertise. Most know that it's not enough to provide a product or service and say, "We're here, call us one and all." Companies must demonstrate commitment to their market segments and train personnel to understand their distinct customers, needs, buying patterns, trends, opportunities, peculiarities, etc.—even if everybody gets the same basic prices.

Without market-segmentation strategies based on specific services, companies quickly lose touch with the buying patterns in their market segments. Customers begin to feel they're just another number and that the company doesn't really care about them. They quickly gravitate to the companies whose salespeople call and offer expertise and knowledge specific to their needs.

We hope the airline value pricing strategy will last, but we doubt that any airline will succeed at eliminating the need for market segmentation. Those airlines that do away with market specialists and targeted marketing programs will soon discover that value marketing has nothing to do with forgetting the specific needs of specific customers.

Bruce Bolger

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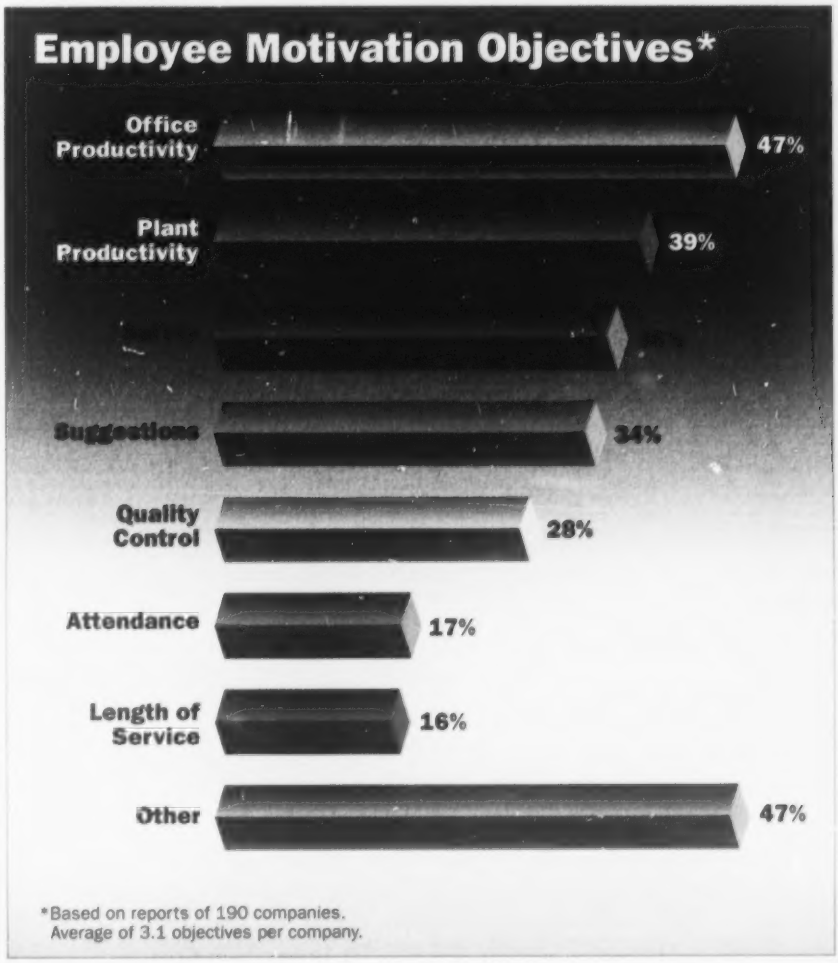



EMPLOYEE MOTIVATION

# FACTS SURVEY
# NON-SALES INCENTIVES

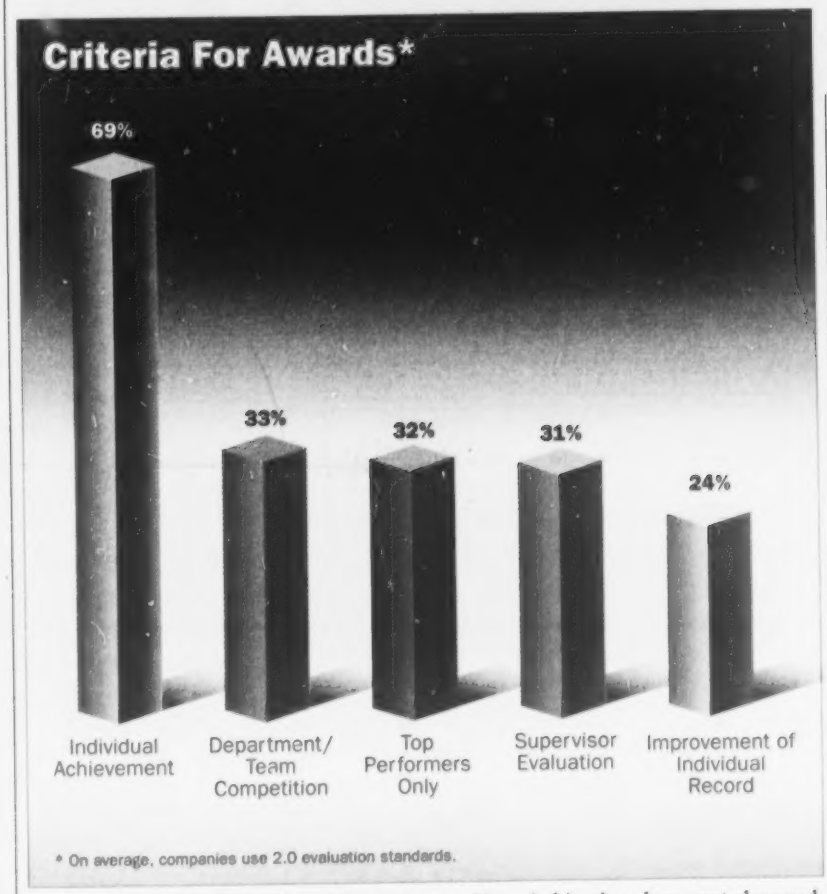
After two fallow years, incentive programs targeting non-sales personnel—comprising everyone from office workers to factory workers—appear to be growing again. **Incentive**'s latest survey of users shows that while employers aren't predicting a real boom now, they are budgeting an average of 7.4 percent more this year for programs and awards to motivate non-sales employees.

Awards for office and production workers had seen double-digit increases for several years, but spending slowed to a growth rate below the rate of inflation in 1990 and '91—just 4.6 and 2.4 percent, respectively. The estimates were based on respondents' expenditure figures for two years; in the 1992 survey, 213 firms have reported both their 1991 spending and their 1992 budget plans.

Citing the effectiveness of employee campaigns, executives report some growth in their '92 spending plans.

The slowed pace of workplace incentives appears to be just another byproduct of the recent economic slide. Reduced staffing and downsizing simply cut the number of awards needed at many companies. Still, incentives were being used in various forms by many firms. "Our people," writes one survey respondent, a manager of an Eastern wholesaler

Charts: Dale Glasgow




with 35 employees, "have traded salary increases for performance-based incentives. We have increased productivity dramatically—but we have fostered resentment in some employees who are uncomfortable with the risk factor. Salary adjustments are made, but less frequently than before, and are based on comparison of profit growth against CPI."

"At our company," says Heather Krebs, coordinator at Texas Instruments in Hunt Valley, Md., "we have suffered two layoffs within the past two years. The company size has diminished considerably. Although the monetary value of our awards is not high, they do give the employees a boost. When they do something significant, we recognize it and give them something (anything from T-shirts to gift certificates to crystal). This can make a real difference in morale." Her budget has not changed greatly this year, and covers awards for "all employees from president to janitor," she adds.

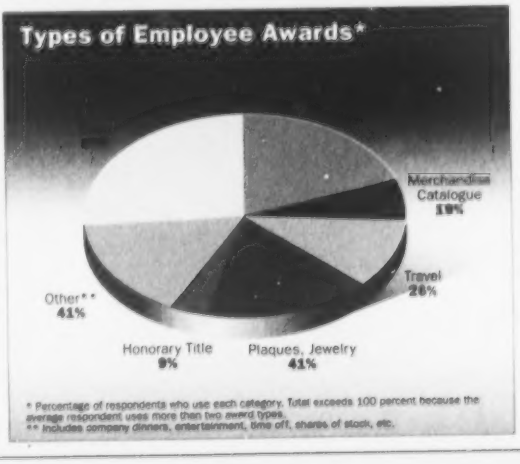
Users' objectives have not changed tremendously versus those reported in past campaigns, but there have been a few notable shifts. Office productivity is still the most common campaign goal, but it's favored by only 47 percent this year, down 10 points from the '91 survey. Quality control also receives a bit less emphasis (down 6 points). But 4 percent more people promote plant productivity, and safety grew by 6 percentage points. Safety, in fact, is a target of 36 percent of these companies—making it the third most-popular objective, up from sixth place a year ago.

There are a number of apparent reasons for the growth in safety incentives. Progress keyed to safety is likely to be reflected in other gains, namely productivity and quality. The issue of safety is also easily promoted and dramatized in a plant or office campaign, and its results are relatively easy to measure. It also has the extra value of a tax advantage: Within prescribed limits, the non-cash safety award is a deductible expenditure by the company *and* not taxable as employee income. Only length-of-service campaigns offer this edge in the tax code.

An Oregon lumber firm, for instance, is offering its 480 employees merchandise prizes, gift certificates and cash in two separate safety campaigns. Management awards both individual and group achievements, and the human resources director writes that "we have completed two years without a lost-time injury, and we have set new production records at the same time."

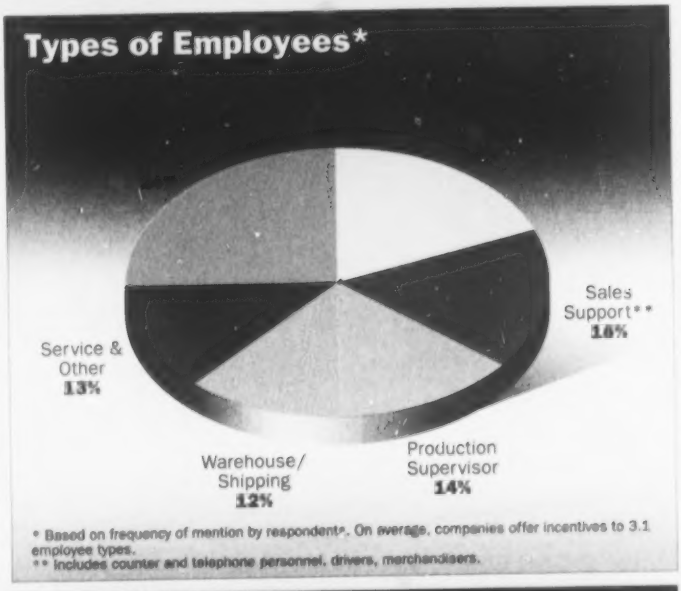
Truck drivers are often targeted in safety programs, and Consolidated Personnel Corporation in Chesterfield, Mo., has a two-year-old plan that yields real benefits, according to David McFarland, manager of safety and workers' compensation. He reports that most rewards consist of merchandise, with a few trips awarded for such honors as Driver of the Year. About 1,100 drivers participate, and 65 percent win some awards. "As we begin the third year of our Safety Incentive Program," says McFarland, "we have seen a reduction in total on-the-job injuries incurred by employees. We are attempting to maintain a constant awareness for safety among the employees. To accomplish that goal as well as employee recognition, we publicize winners monthly in our company newsletter as well as at drivers' safety meetings. While we have achieved a reduction in injuries, equally important is the recognition for the drivers."

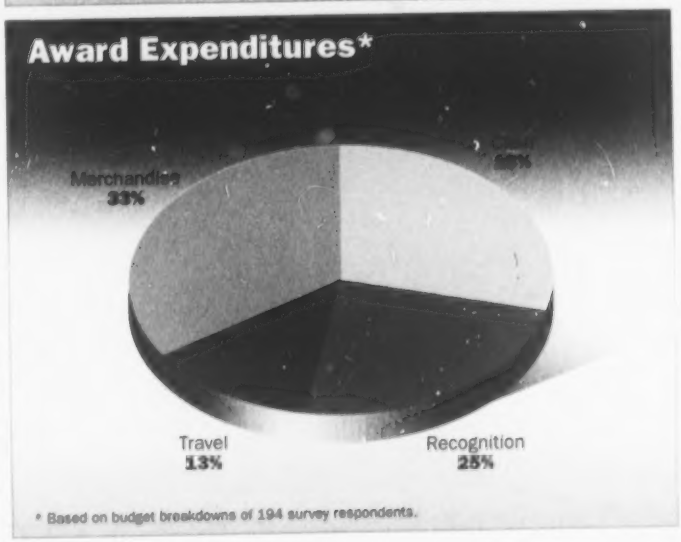
Recognition remains fundamental to employee incentive


Types of Employee Awards*
Merchandise Catalogue 19%
Travel 26%
Other** 41%
Honorary Title 9%
Plaques, Jewelry 41%
* Percentage of respondents who use each category. Total exceeds 100 percent because the average respondent uses more than two award types.
** Includes company dinners, entertainment, time off, shares of stock, etc.

programs, and specific recognition awards—plaques and trophies among them—are still popular, and growing more so this year. Users say they spend 25 percent of their award dollars for recognition items, up from 21 percent a year earlier. Merchandise gained a point, to 33 percent, while cash now represents 29 percent of recognition-prize expenditures, a point less than in '91. Travel has declined somewhat in usage, from 17 percent to 13 this year.

In this year's survey, the respondents' universe of workers is a bit smaller than last year's—an average of 2,372 total workers per firm, of whom 1,667 are eligible for awards. A year ago, the survey respondents reported an average of 3,320 staff members and 1,992 prospective incentive-program participants. However, the figures reveal a gain in the percentage of employees eligible: More than 70 percent are now covered by the incentive plans, up from the 60 percent who participated in award campaigns last year.


Types of Employees*
Sales Support** 18%
Production Supervisor 14%
Warehouse/ Shipping 12%
Service & Other 13%
* Based on frequency of mention by respondents. On average, companies offer incentives to 3.1 employee types.
** Includes counter and telephone personnel, drivers, merchandisers.




## MORE PROGRAMS, MORE WINNERS

The survey also shows an increase in the total number of programs. The survey reveals a median of two programs lasting a median of 12 weeks each, the same as in 1991. The *average* number of programs reported is 4.2, up from 4.0, and the average duration has expanded to 24 weeks, compared with 20 in last year's study.

On the average, slightly more employees are qualifying for awards, with 47 percent of the eligible people winning, according to this year's survey. The '91 average was 45.

The cost of individual awards has changed slightly, with an increase of $8 to the present average of $539; the median remains at $100 for both years. Lower-cost awards are common in employee incentive programs, however, and they seem to be effective for many users. Hercules Steel Company, a structural-steel fabricator in Fayetteville, N.C., has an ongoing plan for about two-thirds of its 75-member work force, and the company uses merchandise costing from $15 to $50, plus some cash awards.

"We have increased on-time perfect attendance," writes Ken Tayler, vice president of sales at Hercules. "Safety is stressed at monthly meetings, and there are quarterly drawings for cash. Catalogue coupons and bonus coupons are awarded for on-time, perfect attendance monthly, quarterly and yearly. The 'Employee of the Month' is awarded cash and a plaque. These award programs have helped build company morale, cut our accident rate significantly, and improved quality control and individual performance and appearance."

A similar varied diet, but one featuring bigger-ticket merchandise awards, appears to work for Continental Disc Corporation, a Kansas City manufacturer with 160 office and production employees. Personnel manager Lesley Findlay reports, "Our primary types of awards are for perfect attendance, safety and quality-improvement suggestions. If a first award is for safety or attendance, we use a company jacket; subsequently, employees can order from a merchandise catalogue. The quality awards are crystal mugs with our logo. We also give service awards, which are merchandise items from a special brochure. Our safety program has possibly produced the greatest result: Accidents have been reduced by a large percentage since we started the program 18 months ago."

## SPREADING THE WORD

The top communication vehicle among the surveyed companies is employee meetings, used by 77 percent to announce a program. Supervisors directly pass the word on in 57 percent of cases, and 55 percent rely on employee publications. Other media for promotional drum-beating include posters and bulletin boards, used by 47 percent; and mailings to employees' homes, a tool of 19 percent of respondents.

CONTINUED ON PAGE 100

## FACTS SURVEY

CONTINUED FROM PAGE 32

For awards presentations, 70 percent of executives in the survey rely heavily on companywide meetings as the main platform. About 43 percent choose departmental meetings, and another 43 percent also use company publications. Presentations are private occasions for 36 percent of companies, while 30 percent post results on bulletin boards and 10 percent issue press releases.

Comments submitted along with the survey responses underscore the flexibility of non-sales programs. "We instituted a quality and excellence award program three years ago," an executive at an Ohio engineering firm writes. "The program is based on peer nominations of colleagues who, by individual performance, have contributed to the overall quality of our services. Winners are selected quarterly in each of 25 operating units by peer committees. Grand-prize winners in each office are then awarded an all-expenses-paid weekend. The net benefits have been improved levels of performance in all operating units."

Yankee Swapper, a Cranston, R.I., publisher, conducts four quarterly campaigns for its 85 office, production and sales-service personnel, with about 50 percent of participants earning awards from a merchandise catalogue. The result, says sales manager Robert E. Middleton, is that "incentives are responsible for an increase of 51 percent in sales over the last 15 months—over $1 million in sales. The award unit cost is only $126."

Perhaps the best testimonial to non-sales programs comes from an executive whose company *doesn't* offer them. "We have no formal award program other than for length of service," says a supervisor of marketing communications at a Midwestern chemical company. "All awards programs are for sales only. My company is very narrow-minded in their thinking. They spend a lot on trips and other things for the salespeople. They don't seem to realize how unmotivating it is to be a non-sales person and see all the riches being bestowed on so few." □

## AD AGENCIES

CONTINUED FROM PAGE 34

service, which included ads, direct marketing and a premium offer (a Japanese "daruma" doll); and the Hallmark ads that contained an empty greeting-card envelope; consumers could bring the envelope into the store and get a free card.

The teamwork concept isn't entirely new to Burnett. "We've always had teams when it came to creating advertising," Dudreck explains. "For instance, a team would involve people from the creative and media departments. Culturally, we were already set up to do this, but with the new focus on integrated marketing, we've opened up the team to include more players."

Teams are even transcending geographical borders. For instance, three companies owned by New York's Omnicom Group worked on the 1989 launch of the Gillette Sensor men's razor—BBDO handled the advertising, Rapp Collins Marcoa the sales promotion and Porter-Novelli the public relations. According to David Scholes, president of Rapp Collins Marcoa, the account people from all three companies constantly met and stayed in touch. "The campaign had to speak with one voice," he says. "Sensor had to promote one image, which was that it was a revolution in men's shaving and a superior system. So the ad theme worked very closely with the direct-marketing materials, and we used the same photos." Included in the launch was a sampling program, in which interested consumers, who were pre-qualified through the mail, received a free razor.

### CLASSES IN COOPERATION

To stress teamwork, agencies have developed education programs to get employees more comfortable with non-advertising areas.

At Lintas:Worldwide's "Lintas: University" (developed with the University of Chicago's Graduate School of Business), for example, middle and senior managers attend seminars on various aspects of integrated marketing, including sales promotion, public relations, merchandising and direct marketing.

"This was a response to the changing nature of the business and the needs of our clients," says Dauer. "We want to broaden people's perspective, to have them look at marketing problems with an unbiased approach, rather than trying to solve a marketing problem with advertising alone if other tools are appropriate."

Similarly, at Leo Burnett, which consulted with Northwestern University for its program, "We're not teaching advertising executives how to do sales promotion or event marketing, but rather to know when these disciplines can help solve a marketing problem," Dudreck explains. "Once they know this, they can tap into their employees' thinking about what to do for a specific client."

Even with the best education and teamwork, however, agencies won't get far if they don't do what's best for the client. "An ad agency shouldn't suggest that its client use its promotion division just because it's part of the agency, but because it can help the client," cautions Ray Rizzo, president of Greenwich, Conn.-based Clarion Marketing and Communications, the marketing division of D'Arcy Masius Benton & Bowles, New York. "They really have to sell the *benefits*—what's in it for the client?"

Pamela DuBose, director of marketing communications at Burson-Marsteller, a New York public relations firm that's involved in promotions, agrees that a sales promotion should not be done for its own sake but because it helps achieve a specific objective. "People don't usually come to us and say, 'Let's do a sales promotion,'" she says. "They come to us with a problem, and the solution sometimes becomes more of a promotional solution rather than straight P.R."

Agency executives believe that integrated marketing will only get stronger. "We've made enormous strides with it, and we've won business because of it," says Dauer. Companies that focus on this form of marketing will prosper, predicts Wagner: "It will become a differentiating factor." □